

Draft Staff “Preferred” Approach & Case Study Examples

Commercial Linkage Fee Program:

1. Fee:
 - a. \$9 flat fee per square-foot for all commercial/industrial uses (garage areas exempt)
 - b. Require payment at time of building permit issuance.

2. Fee Reduction:
 - a. Small Projects: 50% of fee rate when resulting in 5,000 sq. ft. or less of net new area
 - b. Large Projects: 50% of fee rate for each additional square-foot over 100,000 sq. ft. of net new area

3. Effective Date:
 - a. Delay effective date for one year following adoption.

4. Exemption:
 - a. Provide a fee exemption for the non-residential component of vertical mixed-use projects (up to 15% of total building area).

5. Credit for Existing Building Area:
 - a. Provide credit for existing and/or recently demolished buildings, provided that less than two years elapses between the date of demolition permit final and the date of linkage fee payment.

- ❖ **Commercial Example 1:** New 6,000 sq. ft. restaurant, replacing existing 5,000 sq. ft. restaurant.

First provide credit for existing and/or recently demolished buildings:

6,000 sq. ft. (new)
<u>- 5,000 sq. ft. (old)</u>
1,000 sq. ft. net new area

Then multiply the remaining area by appropriate fee rate based on building size:

\$1,000 sq. ft. net new
x <u>\$4.50 rate</u>
\$4,500 – total fee due

- ❖ **Commercial Example 2:** New 155,000 sq. ft. office building (no prior building)

\$900,000 (100,000 sq. ft. at \$9 sq. ft. under flat fee)
<u>+\$247,500 (55,000 sq. ft. at reduced fee of \$4.5 sq. ft. for “large projects”)</u>
\$1,147,500 – total fee due

Inclusionary Housing Program:

1. Inclusionary Requirement:

- a. Retain requirement for 15% of new units to be inclusionary units.
- b. Lower inclusionary requirement threshold to 5 units (currently starts at 10 units)
- c. Remove provision allowing for fractional obligations less than 0.5 to “round down”
- d. Provide two options to satisfy inclusionary unit obligations as follows:
 - i. Option 1:
 1. Provide inclusionary units to satisfy any whole and/or fractional unit obligations (i.e., $13.35 = 14$ units)
 - ii. Option 2:
 1. Provide inclusionary units to satisfy any whole unit obligations and pay a fee to satisfy fractional obligations, when eligible, as follows:
 - a. Small Projects (5 or 6 Units): Any fractional obligation (i.e., 0.75 or 0.9)
 - b. All Others (7+ Units): Any fractional obligation less than 0.5

2. Fee Requirement:

- a. Establish a \$60 flat fee per square-foot (for all unit types) (exempting ADUs, JADUs)
- b. Multiply fee against total project area (instead of area of unit not provided)
- c. Require payment at time of building permit issuance (same as existing)
- d. Use following formula to calculate fees for any eligible fractional obligation:
 - i. $\text{Fee Rate} \times \text{Fractional Inclusionary Units} / \text{Total Inclusionary Units Required} \times \text{Habitable Square Feet} = \text{Total Due}$

3. Effective Date:

- a. Delay effective date for one year following adoption.

4. Affordability Restriction Period:

- a. 55 years initial period (currently 45 years for ownership and 55 years for rental)
- b. 55 years for any renewal (currently 45 years for both ownership and rental)

❖ **Housing Example 1: 89-unit project built with 1,000 sq. ft. average unit sizes**

Two eligible options to satisfy the inclusionary unit obligation as follows:

Option 1: Provide inclusionary units to satisfy any whole and/or fractional unit obligations as follows:

- 14 units ($89 \text{ units} \times 15\% = 13.35$)

Obligation: Provide 14 inclusionary units.

Option 2: Provide inclusionary units to satisfy any whole unit obligations and pay a fee fractional unit obligation.

- Note: Eligible for fee payment as of 0.35 is under 0.5 (for a 7+ unit project)
- Fee Formula: $\$60 \text{ (rate)} \times 0.35 \text{ (fractional obligation)} / 13.35 \text{ (total obligation)} \times 89,000 \text{ sq. ft. (89 units at 1,000 sq. ft. average habitable square feet)} = \$140,000$

Obligation: Provide 13 inclusionary units and pay \$140,000.

❖ **Housing Example 2: 90-unit project built with 1,000 sq. ft. average unit size**

Only one eligible option to satisfy the inclusionary unit obligation as follows:

Option 1: Provide inclusionary units to satisfy any whole and/or fractional unit obligations as follows:

- 14 units (90 units x 15% = 13.5)

Obligation: Provide 14 inclusionary units.

Note: This example is not “eligible” for “Option 2” allowing fee payment for fractional units as the fractional obligation not less than 0.5.

❖ **Housing Example 3: 6-unit project built with 2,000 sq. ft. average unit size**

Option 1: Provide inclusionary units to satisfy any whole and/or fractional unit obligations as follows:

- .9 units (6 units x 15% = .9)

Obligation: Provide 1 inclusionary unit.

Option 2: Provide inclusionary units to satisfy any whole unit obligations (not applicable) and pay a fee for the fractional unit obligation (i.e., 0.9)

- Formula: \$60 (rate) x 0.9 (fractional obligation) / 0.9 (total obligation) x 12,000 sq. ft. (6 units at 2,000 sq. ft. average habitable square feet) = \$720,000

Obligation: \$720,000